

Message Text

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PAGE 01 PHNOM 01927 081430Z

51

ACTION IGA-02

INFO OCT-01 EA-11 ISO-00 AID-20 FSE-00 ABF-01 TRSE-00

OMB-01 DODE-00 L-03 RSC-01 DRC-01 /041 W

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R 081107Z FEB 74

FM AMEMBASSY PHNOM PENH

TO SECSTATE WASHDC 4890

UNCLAS PHNOM PENH 1927

E.O. 11652: N/A

TAGS: EAID CB

SUBJ: IGA INSPECTION - CAMBODIA

FOR STATE/AID

REF: A. IGA MEMORANDUM "MANAGEMENT OF U.S. OWNED LOCAL CURRENCIES", 26 NOVEMBER 1973;

B. IGA MEMORANDUM "INSPECTION OF KHMER REPUBLIC AID PROGRAM, 27 NOVEMBER 1973.

C. PHNOM PENH 14560/301505Z DEC 73.

1. THE ACTING INSPECTOR GENERAL FORWARDED REFERENCED MEMORANDA TO AID AND EA ON DECEMBER 3 AND NOVEMBER 30 RESPECTIVELY, AND TO THIS POST ON DECEMBER 5. OUR INITIAL INPUT TO THE RESPONSE WAS CONTAINED IN PHNOM PENH 14560 OF DECEMBER 30. THE FOLLOWING REPRESENTS OUR FINAL INPUT TO THE RESPONSE, KEYED TO PROBLEM HEADINGS IN THE IGA MEMORANDA THEMSELVES.

2. ACQUIRING SITES, BUILDINGS AND GROUNDS FOR U.S. USE. THE EMBASSY SURVEYED THE CITY OF PHNOM PENH AND ON DECEMBER 31 FORWARDED TO EA A DESCRIPTION OF PROPERTIES RECOMMENDED FOR PURCHASE.

3. DEFICIENCIES IN THE MANAGEMENT OF U.S. OWNED LOCAL CURRENCIES. ON JANUARY 11 THE EMBASSY RE-WROTE AND RE-ISSUED TO ALL U.S. DIRECT HIRE AND US/TCN CONTRACT PERSONNEL ITS NOTICE ON CURRENCY CONTROL REGULATIONS, INCLUDING THE REQUIREMENT THAT ALL PURCHASES OF LOCAL CURRENCY MUST BE THROUGH THE U.S. DISBURSING OFFICER

UNCLASSIFIED

PAGE 02 PHNOM 01927 081430Z

(USDO). EVERY US AND TCN EMPLOYEE HAS BEEN REQUIRED TO SIGN A

COPY OF THE MEMORANDUM CERTIFYING THAT HE HAS READ AND WILL COMPLY WITH IT. NEWLY ARRIVED PERSONNEL ARE REQUIRED TO DO THE SAME.

ALL EMPLOYEES STILL AT THE POST FOR WHOM THERE WAS NO RECORD OF ACCOMMODATION EXCHANGE FOR THE THREE MONTH PERIOD UNDER STUDY HAVE BEEN INTERVIEWED AND REMINDED OF OUR CURRENCY CONTROL REGULATIONS. IN THREE CASES, IT TURNED OUT THAT THE REVIEW OF THE CONVERSION RECORDS MADE AT THE TIME OF THE IGA REPRESENTATIVE'S VISIT WAS IN ERROR, I.E. IT WAS ESTABLISHED THAT EACH OF THE EMPLOYEES HAD CASHED ONE OR MORE CHECKS FOR LOCAL CURRENCY WITH THE USDO IN THE COURSE OF THE PERIOD IN QUESTION.

THIRD COUNTRY NATIONAL (TCN) EMPLOYEES HAVE ALWAYS BEEN REQUIRED TO TAKE ALL OF THEIR QUARTERS ALLOWANCE IN RIELS AND ENOUGH OF THEIR SALARY IN RIELS TO COVER THEIR LOCAL EXPENSES. THE BALANCE OF THEIR SALARY IS CREDITED TO LOCAL CURRENCY (I.E. NON-DOLLAR) ACCOUNTS IN THEIR COUNTRY OF ORIGIN. OUR MEMORANDUM ON ACCOMMODATION EXCHANGE (SEE PRECEDING PARAGRAPH) PROHIBITS PAYMENT TO TCNS IN DOLLARS OR DOLLAR INSTRUMENTS AND RESTRICTS CONVERSION TO RIELS OF ANYTHING EXCEPT U.S. TREASURY CHECKS, US CURRENCY OR US DOLLAR CHECKS ISSUED BY THE CONTRACTOR BY WHOM THEY ARE EMPLOYED.

RE-NEGOTIATION OF DOD-FINANCED CONTRACTS, TO SPECIFY THAT RIELS MUST BE PURCHASED THROUGH THE USDO, IS UNDER WAY. THE SOLE AID DOLLAR GRANT TO VOLUNTARY AGENCIES THAT DID NOT ALREADY REQUIRE THAT CONVERSIONS OF DOLLARS TO RIELS BE MADE THROUGH THE USDO WAS THE FIRST GRANT TO ICRC. THE EMBASSY RECOMMENDED TO WASHINGTON (PHNOM PENH 9002) DURING NEGOTIATION OF THE NEW \$2 MILLION GRANT THAT ICRC BE REQUIRED TO OBTAIN LOCAL CURRENCY IN THE KHMER REPUBLIC BY PURCHASE THROUGH THE USDO. SINCE THE DRAFT AGREEMENT WAS PREPARED BY WASHINGTON AGENCIES WE BELIEVE THEY SHOULD ALSO COMMENT ON THIS PARTICULAR RECOMMENDATION OF THE INSPECTORS. THE MISSION HAS ALREADY BEEN IN CONTACT WITH THE GRANTEE LOCALLY, AND HE HAS UNDERTAKEN TO PURCHASE HIS RIELS FROM USDO WITH DOLLARS FROM THE NEW GRANT. IN FACT, SINCE DECEMBER 30 THE ICRC HAS MADE TWO CONVERSIONS WITH RIELS TOTALLING \$60,000 AND EXPECTS TO CONVERT ADDITIONAL FUNDS IN THE FUTURE.

4. UNECONOMICAL PURCHASE OF LOCAL CURRENCY.

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PAGE 03 PHNOM 01927 081430Z

UNNECESSARY CONVERSION LOSSES, TITLE I LOCAL CURRENCY

(GKR BUDGETING) AND REAM AIRPORT UPGRADING.
NO NEED FOR COMMENT BEYOND OUR REF C RESPONSE.

5. PREVIOUS INSPECTIONS: FORKLIFTS. WE HAVE RECOMMENDED TO THE DIRECTOR GENERAL OF THE PORT OF PHNOM PENH THAT HE PLACE AN ORDER

FOR ABOUT ONE HUNDRED TIRES FOR THE FORKLIFTS IN QUESTION. HE SAID HE
WOULD DO SO WITH THE LOCAL ALLIS CHALMERS REPRESENTATIVE.

6. CRANE. THE OICC EQUIPMENT REPRESENTATIVE IN BANGKOK WAS
BROUGHT TO PHNOM PENH ON JANUARY 23 TO EXAMINE THE INOPERATIVE
CRANE. HE MADE UP A LIST OF NEEDED SPARE PARTS, WHICH WILL BE
ORDERED AS SOON AS THEY CAN BE PRICED.
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